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FISCAL IMPACT STATEMENT

LS 7427

BILL NUMBER: HB 1620

NOTE PREPARED: Mar 27, 2009

BILL AMENDED: Feb 19, 2009

SUBJECT: Energy Efficient Buildings.

FIRST AUTHOR: Rep. Pierce

FIRST SPONSOR: Sen. Gard

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires certain government buildings to be designed and constructed to achieve or exceed the level of energy efficiency required under certain rating systems. It provides that Indiana hardwood lumber may be considered for use as a local source material in any project in which the use of Indiana hardwood lumber is practicable. It specifies that the Environmental Protection Agency's Energy Star rating system is an optional standard permissible only for the renovation or reconstruction of a government building.

The bill deletes the \$10,000,000 maximum on the amount of bonds that may be outstanding for a state educational institution's qualified energy savings projects. It provides that in order to establish the reasonable expectation of savings for purposes of the statutes governing bonds for energy cost savings contracts, a state educational institution must enter into a qualified energy savings contract in which the qualified provider guarantees in writing that the guaranteed savings achieved will at least equal the annual debt service requirements on the bonds.

The bill requires the Fire Prevention and Building Safety Commission to adopt the most recent edition of the International Energy Conservation Code before July 1, 2010. It requires the Commission to adopt any subsequent editions of the code not later than two years after the effective date of the subsequent edition.

Effective Date: Upon passage; July 1, 2009.

Explanation of State Expenditures: (Revised) *Indiana Department of Administration (IDOA)*: The bill requires the IDOA to develop design standards that promote energy efficiency that must be used in the renovation or construction of a state building. The IDOA must also determine the cost effectiveness of the

design and construction associated with achieving energy efficiency for certain state buildings. Indiana hardwood lumber is required to be utilized in renovation or construction of a state building, unless the IDOA determines that the use of the lumber is impracticable. Due to the Governor's Executive Order (EO) 08-14, these provisions are not expected to impact expenditures. The EO provides that the construction, repair, or renovation of state buildings must achieve energy efficiency on a cost-effective basis.

Lumber Purchasing Preference: The requirement that Indiana hardwood lumber must be considered in renovation or construction of a state building may limit competition for lumber suppliers for state building projects, which could result in higher expenditures. Indiana hardwoods and forest-based businesses are the fourth-largest manufacturing sector by employment. If the Indiana hardwood lumber is determined to be unsuitable for its desired use, then it is not required for use in construction and renovation.

State Educational Institutions: The bill deletes a provision in IC 21-34-10-7 that specifies that the amount of bonds outstanding for qualified energy savings contracts entered into by state educational institutions may not exceed \$10 M. However, state educational institutions must enter into qualified energy savings contracts in which the qualified provider guarantees in writing that the guaranteed savings achieved will at least equal the annual debt service requirements on the bonds.

(Revised) Adoption of the International Energy Conservation Code or the American Society of Heating, Refrigerating, and Air-Conditioning Engineers Standard 90.1: With respect to adopting the code or standard, the proposal will have a minimal impact on the Department of Homeland Security (DHS). With respect to the impact that adopting the code or standard will have on state building expenses, the impact is indeterminable. Any additional expenses incurred during the construction, remodeling, or repair of certain state property could be offset by reductions in operating expenses for buildings. Updating the code or standard and using more energy-efficient materials and techniques will likely result in more energy-efficient buildings.

Background Information - Energy Efficiency Standards for State Buildings: This bill requires the IDOA to develop design energy efficiency standards for newly constructed state buildings to meet the standards of any of the following:

- (1) LEED Silver Rating;
- (2) Green Building Initiative's Two Globes Rating; or
- (3) any equivalent rating accredited by the American National Standards Institute.

Additionally, energy efficiency standards for renovated or reconstructed buildings may include the Environmental Protection Agency's Energy Star rating, as well as the rating systems above used for newly constructed buildings.

According to the U.S. Green Building Council's website, the LEED rating system was created to provide the building industry with consistent, credible standards for what constitutes a green building. The rating is determined by earning points in a number of categories, including sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation in design. Projects are awarded Certified, Gold, Silver, or Platinum certification depending on the number of benchmarks met.

To achieve the Green Building Initiatives Two Globes rating, a building must be assessed by an independent third party that is affiliated with the Green Building Initiative. Out of 1,000 points possible, the building must achieve 550-690 (55%-69%) of the points to be recognized with two green globes. The most globes a

building can receive is four. Areas evaluated include energy, indoor environment, emissions and effluents, resources, environmental management, and water.

The Energy Star is awarded to buildings that achieve a rating of 75 or higher using an Internet tool provided by the Environmental Protection Agency's Energy Star website. Areas evaluated include energy and water consumption and energy performance. After the required rating is achieved, the next step is a verification process.

ASHRAE 90.1-2007: This standard is meant to provide minimum requirements for the energy-efficient design of buildings.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) Under this bill, a project approved after June 30, 2009, for the construction or renovation of a government building or structure that would cost at least \$2 M must be designed to achieve or exceed the level of energy efficiency determined under the LEED silver rating, the Green Globes Two Globes rating, the Environmental Protection Agency Energy Star rating, or an equivalent standard that is accredited by the American National Standards Institute. The bill also states that, wherever practical, Indiana hardwood lumber may be used in the renovation or construction of the government building.

Projects that cost less than \$2 M, as well as buildings or structures that are either listed or eligible to be listed on the National Register of Historic Places, are exempted from meeting the energy efficiency requirement of this bill. The bill also exempts projects located within counties, cities, and towns that have populations of less than or equal to 15,000 from meeting this requirement. Based on current population estimates, there are 12 counties with populations less than 15,000. In the remaining 80 counties, projects in cities and towns with populations of less than or equal to 15,000 would also be exempted from the energy efficiency requirement of this bill.

The long-term impact is whether any potential savings in operating costs (such as heating and electricity) because one of the energy efficient standards were employed would be enough to offset the initial increase in construction or renovation costs. The potential long-term savings are indeterminable at this time.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All

Information Sources: U.S. Green Building Council, <http://www.usgbc.org/>; The Green Building Initiative, <http://www.thegbi.org/home.asp>; Environmental Protection Agency's Energy Star Website, <http://www.energystar.gov/>; Indiana State Department of Agriculture, <http://www.in.gov/isda/>; American Society of Heating, Refrigerating, and Air Conditioning Engineers, <http://www.ashrae.org/>; Stats Indiana Population Estimates, <http://www.stats.indiana.edu>.

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